

Message Text

CONFIDENTIAL

PAGE 01 VIENTI 00080 01 OF 02 200135Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-06 CEA-01 L-03 /097 W
-----071521 200227Z /75

R 200100Z JAN 78
FM AMEMBASSY VIENTIANE
TO SECSTATE WASHDC 8916
INFO AMEMBASSY BANGKOK
AMEMBASSY PARIS
AMCONSUL HONG KONG
CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 VIENTIANE 0080

CINCPAC FOR POLAD

E.O. 11652: XGDS-4
TAGS: PDEV ETRD BEXP EIND US VM
SUBJECT: REPORT ON PRIVATE INVESTMENT IN THE SRV

SUMMARY: AN AMCIT BUSINESSMAN REPRESENTING THE EISENBERG GROUP, AN INTERNATIONAL INVESTMENT BANKING FIRM BASED IN LONDON, CALLED ON AN EMBASSY OFFICER JANUARY 17 AFTER HE HAD SPENT SEVERAL DAYS IN HANOI. THE BUSINESSMAN BRIEFLY DESCRIBED THE INDUSTRIAL PROJECTS FOR WHICH HE WAS ARRANGING FINANCING, THE ITALIAN PETROLEUM COMPANY'S (ENI) CONTRACT WITH THE VIETNAMESE, THE ECONOMIC EXPERTISE OF THE AUTHORITIES HE HAD MET, AND HIS OWN VIEWS ON THE ECONOMIC FUTURE OF THE SRV, END SUMMARY.

1. AN AMCIT BUSINESSMAN SAID JANUARY 17 THAT HE HAD TRAVELED TO HANOI SEVERAL TIMES RECENTLY TO DISCUSS FINANCING OF LARGE INDUSTRIAL PROJECTS WITH VIETNAMESE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 VIENTI 00080 01 OF 02 200135Z

AUTHORITIES. SO FAR HIS FIRM, THE EISENBERG GROUP, HAD ARRANGED THE FINANCING FOR A SHEET GLASS PLANT LOCATED IN HAIPHONG. IT HAD ALSO ARRANGED A \$55 MILLION INVESTMENT BY INGRA OF YUGOSLAVIA AND WAGNERBIRO OF AUSTRIA TO CONSTRUCT A THERMAL POWER PLANT IN DANANG OF TWO 60 MEGAWATT UNITS USING COAL ENERGY. EISENBERG HAD ALSO ARRANGED A \$100 MILLION INVESTMENT (MOSTLY BY

ITALY'S GIE) IN A HYDROPOWER PLANT LOCATED IN HO CHI MINH CITY. TIBB/SAE OF ITALY AND BROWN BOVERI OF SWITZERLAND WERE INVESTING \$40 VILLION IN TRANSMISSION LINES TO BE USED AT THE HYDROPOWER AND THERMAL POWER PLANTS.

2. THE SOURCE SAID THAT HIS FIRM HAD ARRANGED A \$95 MILLION INVESTMENT BY SPAIN'S CENTUNION AND WEST GERMANY'S KHD IN A SODA ASH PLANT IN HAIPHONG. THE EISENBERG GROUP HAD ARRANGED A \$44 MILLION INVESTMENT BY LURGI OF WEST GERMANY AND BY VOESPALPINE OF AUSTRIA FOR A GASIFICATION PLANT THAT CONVERTED COAL TO GAS AND THEN TO UREA. THE PLANT WAS LOCATED IN DANANG. THE GROUP WAS ALSO RAISING ABOUT \$15 TO \$20 MILLION FOR PURCHASING MINING EQUIPMENT FOR MINES NEAR HAIPHONG BY THE ATLAS CORPORATION OF SWEDEN. FINALLY, THE UK'S BOLIT COMPANY WAS INVESTING ABOUT \$60 MILLION IN A PAPER PULP PLANT, WITH THE EISENBERG GROUP ARRANGING THE FINANCING. THE SOURCE SAID THE TERMS OF THE INVESTMENTS WERE 7.5 PERCENT INTEREST OVER A TEN YEAR PERIOD (EXCEPT FOR THE YUGOSLAVIAN COMPANY'S INTEREST RATE WHICH WAS FOUR PERCENT).

3. THE BUSINESSMAN SAID THAT THE ITALIAN PETROLEUM COMPANY ENI HAD SIGNED AN AGREEMENT WITH THE SRV GOVERNMENT WHEREBY ENI WOULD MAKE THE INITIAL INVESTMENT.

CONFIDENTIAL

PAGE 03 VIENTI 00080 01 OF 02 200135Z

MENT FOR OIL DRILLING AND WOULD BE ALLOWED EXCLUSIVE RIGHTS TO ANY OIL UNTIL THAT INVESTMENT WAS PAID FOR. ENI WOULD THEN BE ABLE TO DRAW OIL AT A DISCOUNT RATE. HE SAID THAT THE SRV HAD REFUSED A PROFIT-SHARING AGREEMENT WITH ENI. HE ADDED THAT WITHOUT FREE ACCESS TO MODERN US PETROLEUM TECHNOLOGY OR MANUFACTURED EQUIPMENT, ENI WOULD MOST LIKELY SUPPLY OLD, OUTDATED DRILLING EQUIPMENT. HE SAID THAT THE VIETNAMESE AUTHORITIES HAD LITTLE PETROLEUM EXPERTISE AND THAT IT WOULD BE VERY EASY FOR ENI TO VALUE THE OLD EQUIPMENT AT AN INFLATED RATE.

4. THE SOURCE SAID THAT THE VIETNAMESE AUTHORITIES HE HAD DIRECTLY NEGOTIATED WITH WERE WORKING LEVEL TECHNICIANS WHO HAD NEVER DISCUSSED WITH HIM INTERNATIONAL POLITICS SUCH AS THE BORDER CONFLICT WITH KAMPUCHEA. A "POLITICAL" MAN HAD USUALLY SAT IN ON MEETINGS BUT DID NOT INTERFERE WITH THE CONVERSATION. THE SOURCE SAID THAT ALL OF THE VIETNAMESE THAT HE HAD WORKED WITH WERE FROM THE NORTH.)
WE HAD NEVER MET A
"REHABILITATED" SOUTHERNER, SUNJQEN#THOUGH THERE WERE MANY

SOUTHERNERS WITH GREATER
MBPIRKING#KNOWLEDGE OF WESTERN
BUSINESS PRACTICES. HEWNQHE#INTERNATIONAL COMMITTEE FOR
THE RED CROSS REPRESENTATIVE IN HANOI TOLD US JANUARY
13 THAT SOME MID-LEVEL OFFICIALS FROM THE THIEU REGIME
HAD RETURNED TO THEIR JOBS FROM INTERNMENT IN REEDUCA-
TION CAMPS.) THE BUSINESSMAN SOURCE SAID THE NORTHERN-
ERS WERE TRYING TO LEARN ABOUT WESTERN BUSINESS
PRACTICES BUT HAD VERY SCANT KNOWLEDGE AT THE PRESENT.
FOR EXAMPLE, THEY UNDERSTOOD CREDIT BUT DID NOT KNOW
THE FUNCTION OF A "PROMISSORY NOTE". MOST NORTHERNERS
STILL FLINCHED AT THE VERY WORD "CAPITALIST". THE
SOURCE DESCRIBED THE VIETNAMESE AS PRAGMATISTS AND
REALISTS WHO DID NOT ACCEPT FALSE FLATTERY BUT
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 VIENTI 00080 01 OF 02 200135Z

READILY ADMITTED THEIR ECONOMIC WEAKNESSES AND FAILURES.
HE DID SAY, HOWEVER, THAT THE VIETNAMESE OVERESTIMATED
TO CAPABILITY OF THEIR ENGINEERS TO MAKE EFFECTIVE USE
OF THE EQUIPMENT LEFT BY THE UNITED STATES.

NOTE BY OCT: # AS RECEIVED CORRECTION TO FOLLOW.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 VIENTI 00080 02 OF 02 200138Z

ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-06 CEA-01 L-03 /097 W

-----071532 200228Z /75

R 200100Z JAN 78

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 8917

INFO AMEMBASSY BANGKOK

AMEMBASSY PARIS

AMCONSUL HONG KONG

CINCPAC

C O N F I D E N T I A L SECTION 2 OF 2 VIENTIANE 0080

CINCPAC FOR POLAD

5. THE SOURCE SAID THAT THE VIETNAMESE HAD SERIOUS ECONOMIC PROBLEMS. HE SAID THAT, WHEREAS IT WAS PROFITABLE FOR HIM TO ARRANGE INVESTMENTS BY OTHER COMPANIES, HE WOULD NOT WANT TO RISK ANY OF HIS OWN MONEY ON THE VIETNAMESE ECONOMY. THE SOURCE SAID THAT IT APPEARED AS IF THE SRV WAS CHANNELING PRIVATE INVESTMENTS FROM CAPITALIST COUNTRIES TO INDUSTRIES AND PROJECTS IN THE SOUTH WHERE THERE WAS A GREATER UNDERSTANDING OF WESTERN BUSINESS PRACTICES. CONVERSELY, THE GOVERNMENT WAS DEVELOPING THE NORTH EXCLUSIVELY ON A SOCIALIST MODEL (WITH THE EXCEPTION OF THE SWEDISH PAPER MILL PROJECT ZBHICH HAD BEEN NEGOTIATED BEFORE UNIFICATION). THE SOURCE OPINED THAT THE SRV WANTED EVENTUALLY TO IMPOSE A SOCIALIST ECONOMIC SYSTEM WITHIN THE COUNTRY BUT AT THE SAME TIME SOUGHT TO JOIN THE INTERNATIONAL CAPITALIST ECONOMIC SYSTEM. TO SUPPORT THIS THESIS, HE NOTED THAT THE SRV WAS THE SECOND COMMUNIST GOVERNMENT AFTER THE HUNGARIANS TO ADOPT A CONFIDENTIAL

CONFIDENTIAL

PAGE 02 VIENTI 00080 02 OF 02 200138Z

FOREIGN INVESTMENT CODE. THE SOURCE SAID THE US SHOULD LIFT ITS TRADE RESTRICTIONS AND ENCOURAGE OTHER CAPITALIST NATIONS TO INVEST IN THE SRV SO THAT THE VIETNAMESE COULD DEVELOP AS AN ACTIVE TRADING PARTNER WITH THE WEST.

6. THE SOURCE SAID THAT HE HAD DETECTED NO ANTI-AMERICAN UNDERTONES IN HIS NEGOTIATIONS WITH THE VIETNAMESE. HE SAID THAT THEY WERE INTERESTED IN AID AND TRADE WITH THE US BUT THAT HE HAD EXPLAINED TO HIS COUNTERPARTS THAT THE AVERAGE AMERICAN, MANY OF WHOM HAD LOST A FAMILY MEMBER IN THE WAR, STILL FELT EMOTIONAL ABOUT VIETNAM AND WAS NOT PREPARED TO GIVE AID. THE AID ISSUE ASIDE, THE SOURCE FEARED US BUSINESS WOULD LOSE OUT ON ATTRACTIVE BUSINESS DEALS TO JAPANESE AND EUROPEAN BUSINESSMEN IF THE US DID NOT LIFT ITS TRADE RESTRICTIONS SOON.

7. THE EMBOFF ASKED THE AMCIT BUSINESSMAN WHETHER, IN VIEW OF VIET NAM'S USE OF ANTI-WAR PRESSURE GROUPS IN THE US DURING THE WAR, THE VIETNAMESE MIGHT NOW BE TRYING TO USE US BUSINESSMEN AS A PRESSURE GROUP TO GAIN AN ADVANTAGE IN THE ONGOING BILATERAL US-SRV NEGOTIATIONS. THE EMBOFF SUGGESTED THAT IF THIS WERE THE CASE, THEN SRV RELIANCE ON THE CAPABILITY OR EVEN WILLINGNESS OF US BUSINESSMEN TO PRESSURE THE USG TO LIFT TRADE RESTRICTIONS WITHOUT FIRST ESTABLISHING

DIPLOMATIC RELATIONS WOULD, IN EFFECT, SLOW THE
NEGOTIATIONS. THE BUSINESSMAN SAID THAT IT WAS INDEED
POSSIBLE THAT THE SRV HAD FORMULATED A POLICY OF
USING AMERICAN BUSINESSMEN TO THIS END.

8. ACTION REQUESTED: IN AN EFFORT TO EVALUATE THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 VIENTI 00080 02 OF 02 200138Z

FOREGOING, WE WOULD APPRECIATE ANY INFORMATION THE
DEPARTMENT MIGHT HAVE ON THE SIZE, CAPABILITIES,
AND BONA FIDES OF THE EISENBERG GROUP.
ROBERTS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRIVATE INVESTMENTS, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978VIENTI00080
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X4
Errors: N/A
Expiration:
Film Number: D780029-1052
Format: TEL
From: VIENTIANE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780137/aaaabfno.tel
Line Count: 240
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 910ac7e1-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags: ANOMALY
Review Date: 06 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3735839
Secure: OPEN
Status: NATIVE
Subject: REPORT ON PRIVATE INVESTMENT IN THE SRV SUMMARY: AN AMCIT BUSINESSMAN REPRESENTING THE EISEN- BERG GROUP, AN INTERNATIONAL INVESTMENT BANKING FI
TAGS: PDEV, ETRD, BEXP, EIND, US, VM
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/910ac7e1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014